



PATENT

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application of

TIM DANIELS ET AL.

Serial No. 09/932,571

Filed: August 16, 2001

For: SYSTEM AND METHOD FOR  
LUBRICANTS SUPPLY CHAIN  
MANAGEMENT

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GROUP ART UNIT: 2177

EXAMINER: LUKE S. WASSUM

**RECEIVED**

AUG 24 2004

Technology Center 2100

P. O. Box 6006  
San Ramon, CA 94583-0806

**AFFIDAVIT OF TIM DANIELS**

I, Tim Daniels, am an inventor of the above-referenced patent application and an employee of the assignee of the application. I hereby declare that the invention of the referenced claims was reduced to practice on a date prior to September 7, 2000 or conceived on a date prior to September 7, 2000 and diligently reduced to practice thereafter. The attached documents are project documents used in the planning, commercial design, and/or implementation of the invention. These documents have a date prior to September 7, 2000. They are evidence that the elements of Claims 1-13 were in my possession prior to September 7, 2000.

I do solemnly affirm under the penalties of perjury that the contents of the foregoing paper are true to the best of my knowledge.

Date: Aug 17, 2004

  
TIM DANIELS

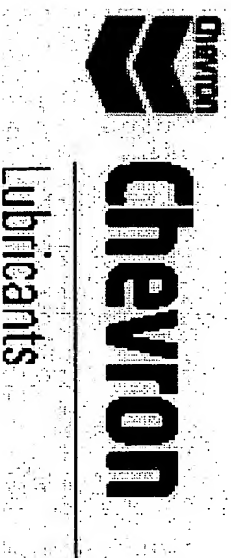
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# — Strategy Overview & Discussion

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## NAFL Management Team Meeting

David Spatz



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0002, 11-11-11



# e-lubes: Mission & Vision

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## **Mission:**

“...“no frills” lubrication solutions to selected, price-conscious customers. We leverage innovative technology...to achieve customer convenience and low-cost operations.”

## **Vision:**

“... a profitable internet business that dominates the low-price lubricant segment by providing convenient, low-cost lubrication solutions”

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# **e-lubes: Business Direction**

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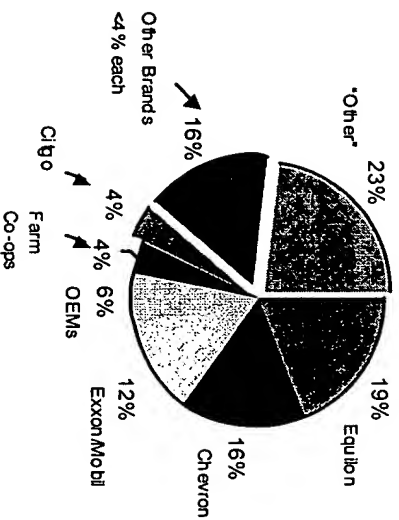
- ◆ Growth Strategy for Chevron Global Lubricants
- ◆ Deepens existing Portfolio of offerings
  - New cost effective entry point into price-driven market
- ◆ Leverages Lubrizol alliance to create a virtual blend plant system
- ◆ Leverages off SVOC's IT and back office investments

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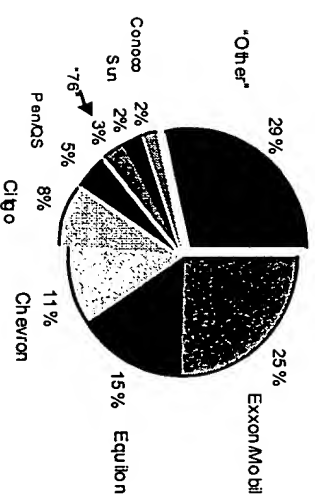


# e-lubes: Target Market Expands Chevron's Space

**HDMO - U.S. Market Share**  
565 Million Gallons

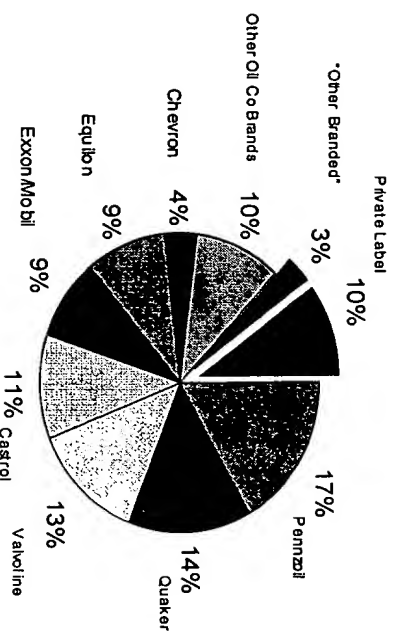


**General Industrial - U.S. Market Share**  
397 Million Gallons



Note: General Industrial excludes Process Oils, Metalworking, and Industrial engine oils (railroad)

**PCMO - U.S. Market Share**  
817 Million Gallons




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# e-lubes: Financial & Timeline Information

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- ◆ Estimated Project Cost \$19.3MM
- ◆ Project Funding Source: TBD
- ◆ Expected profitability and returns are healthy
  - 10 year NPV is estimated at \$78MM and ROR is 58%
  - Steady state A/T profits are projected to be \$45MM with a 200% ROCE.
- ◆ Timeline  “Live” Date


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## **e-lubes & NAFL: Some Key Issues**

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- ◆ Low cost position addresses the price-driven market
- ◆ e-lubes branding will be under 
- ◆ Win-win with Lubrizol synergies:
  - Virtual Blend Plant for e-lubes
  - Volume discounts accrue to NAFL
- ◆ e-lubes relationship to Chevron brand is still being determined

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# E-lubes.com Update





# Agenda

- Welcome
- Opportunity Statements
- Assumptions
- Deliverables from Phase 1
- Preliminary Financial Review
- Issues -- Manufacturing & Distribution, Customers, E-Business
- Resources Need for Phase 2
- Next Steps





# Today's Purpose

- Update GRT on Team activity to date
  - Identify & assess opportunity
  - Determine resource needs
- Dialog with GRT on assumptions and major issues.
- Approval to proceed to Phase 2
  - Resource Commitment
  - Determine GRT for Phase 2



# Project Charter

## Opportunity Statement:

- Establish an enterprise or independent business unit that will market, via the Internet, a new brand of highly competitively priced performance lubricants that meets general lubrication requirements of the industrial and commercial market, and effectively execute timely deliveries while selling directly to the price conscious end user. Targeted customers could range in size from 500 - 25,000 gallons annually, and are mostly driven by price and minimal product specifications. Three primary core competencies will be distribution and logistics efficiencies, coupled with leveraging electronic commerce technology, and low overhead expense.

## Project Success:

A web-based Lube Business is launched with on spec products satisfactorily delivered which experiences steep month to month growth in interest & sales

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# Tactics:

- # Customer-centric

# **e-lubes.com Task Force Scope - In the Frame / Out of the Frame**

Out of Scope: CBEST; CRA; Fuels & Lubes.com; Complete Chevron product line (600+); Chv acctg/billing/credit system; R&D, Engine or Field Tests, Lubes Bus Center

## (In Scope/External to Team)

•On-line ordering, billing & e-bank

## (In Scope/Internal to Team)

•LT: MTS,  
PIM

- Limited Product Line:
  - HDMO,PCMO,ATF,Auto-Gear, tractor hyd fl, hyd oil, auto/ industrial grease, R&O oil
- Selection & mgmt of Blenders & Packagers
- Product pricing strategy
- Manage Logistic Alliances
- Manage & monitor minimum Performance Claims & Specs -includes tracibility
- Planning & Bus Admin/HR (P&L, OpEx, metrics, forecasts, reports)
- Cost Model Decision: i.e. purchase vs toll, hybrid etc
- Business Structure Decision: i.e.IPO vs wholly owned vs Clementz-thing

•Product Delivery  
•HES Compliance

- On-Line Product Support
- On-Line Promotion Strategy (Launch campaign, trade shows, press mgmt, events etc)
- Contract Strategy & Mgmt:
  - i)Blenders/Packagers-boiler plate (FM, COI), ownership of mat'ls, brand, quality assurance
  - ii)Logistics- freight rates, geographic coverage, delivery methods
  - iii)CF alliance /contract

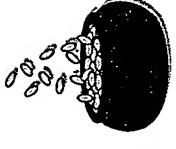
•Legal support

# e-lubes.com S.W.O.T. Analysis

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Strong product development</li> <li>• Recognized HES capability</li> <li>• Established Chevron distribution network (600+)</li> <li>• Hi revenue \$/gal; low cost raw materials</li> <li>• Strong product integrity</li> <li>• Good relationship with CF as alliance partner who has indicated a web-based preference</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Chevron Lubes has hi -cost structure (G&amp;A)</li> <li>• Chevron has struggled with e.com bus model</li> <li>• Chevron has hi-cost proprietary facilities</li> <li>• There is a 'Legacy' mind-set</li> <li>• Weak business transaction structure/system @ Lubes with poor integration of costs (revenue leaks)</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Large business-to-business growth potential which could become the predominant business model for Chevron &amp; industry in the long term</li> <li>• Price-conscious customer-base exists</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• A significant competitor may get there first &amp; find a way to build barriers to entry to late entries</li> <li>• NAFL existing business line cannibalization</li> <li>• Chevron has a low/mod tolerance for risk/loss leaders</li> <li>• Negative branded distributor reaction</li> <li>• Product liability is greater, given less control re: Product application vs. intended use</li> </ul>

# Success Planning

## e-lubes.com Team



### Critical Success Factors:

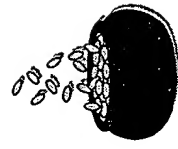
- ID, understand, address, & satisfy customer drivers & requirements
- Employ efficient use of E-commerce technology
- Establish mutually beneficial contractual relationships (re. plant, logistics, raw materials, web)
- Quickly staff & build a dedicated team which can work outside the 'Chevron' box
- Find a way to incorporate Chevron & Consolidated Freight needs as JV partners/investors



# Measures Of Success:

## e-lubes.com

- Focused market research of customers & their needs; market penetration/unit time; monitor
- Registrations, # hits(path analysis); on-line satisfaction/complaint surveys re: on spec/on time
- Select right web partner; monitor cost/transaction, billing accuracy re: credit re-bills.
- Paperless system; pin-point tracking of abandonment rate @ shopping cart;
- Monitor product specs, shipping target dates; calculate reverse engineering estimates for cost
- Comparison re. \$cost/delivered gal; # claims (over/short/damage); # customer complaints; monitor G&A costs;
- Establish win:win incentives in supply chain alliance (volume/OpEx/raw material cost etc)
- Establish multifunctional/multi-company JV
- Marriage of all core competencies for success (keep it simple with streamlined infrastructure) one boss only; flat organization chart.
- NPV/IRR per plan



# Preliminary Financial

Scenario	Revenue \$/Ga	NPV <sub>10</sub>	IRR
1	2.75	\$87.6 MM	63%
2	3.00	\$138.9 MM	94%
3	3.25	\$190.2 MM	125%
4	3.50	\$198.6 MM	163%

## Assumptions:

- Total North American finished lubes market is 2,600 MM Ga
- 1/3 of market is lower tier lubricants or 800MM Ga
- e-lubes.com can get 10% market share in 10 years,, or 80MM Ga
- G&A of \$0.20/Ga vs. current \$0.50/Ga
- \$10MM capital in years 1-3 for IT development
- 5 year NPV = \$8.6MM, \$25.5MM, \$41.4MM and \$57.3 MM respectively
- COGS \$2.00/Ga

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# BuySell.com

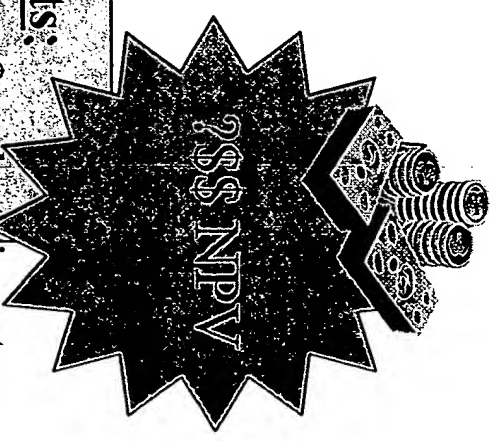
- Buy finished product from blender/compounder (6-8 supply plus 118 products)
- Ship by alliance carrier
- Standard Product Performance Claims (API, SAE)
- Web-based & paperless process
- Inventory costs billed when shipped to customer

## Key Strategies:

- < Complicated support infrastructure (tech, MSM)
- Simpler transaction with less cost
- No Chevron ownership of inventory
- Can buy 'off-the-shelf' products from multi-shippers

## Impacts:

- Potential for > \$ product inventory
- Still responsible for PLM, HES, & spec sheet



## Biggest Challenges:

- COGs & total product cost higher than Chevron alternative
- No barrier to entry in long term
- Difficult to ensure product integrity
- Difficult to beat jobbers for cost/quantity in small volume
- Difficult to find win-win strategy with CF in start-up period

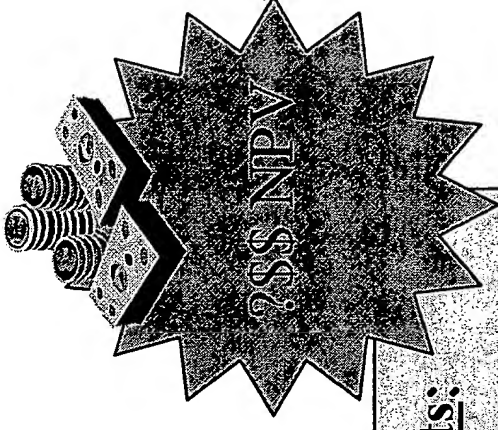
## Mitigation measures

- Alliance contract with CF

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# 3rd Party Toll Processing

•Chevron purchases/owns raw materials & finished products  
•6-8 supply points with 10 suppliers/product; 18 products  
•Chevron intimately involved in Formulation & Performance Claims  
•Web-based & paperless process  
•Independent/outsource transaction system required (external to Chevron)



## Key Strategies:

- Lower COG's
- >Chevron product control re. Performance Claims & Costs
- Lower transaction system expenses

## Impacts:

- Hi OpEx
- Less spec variation to customer (price premium?)
- Back-office expenses lower

## Biggest Challenges:

- Suppliers will experience squeezed margins
- Potentially > cannibalization of existing Chevron business
- > infrastructure support effort with > costs

## Mitigation measures:

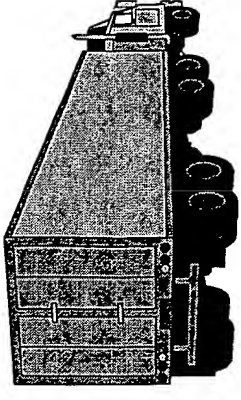
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# e-lubes.com Framing Team

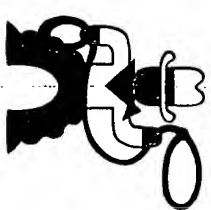
## Logistical Geographic Hub Centers by Service Provider

<b>Stock Packaging Hub</b>	<b>% Chv activity</b>	<b>Key Competitor</b>	<b>CF</b>	<b>Ryder Logistics</b>	<b>Yellow</b>	<b>Matlack Bulk</b>	<b>Bulk Candidate</b>
ATL	20	Exxon	Y			Y	Kenan
Philly/NY	20	Sun	Y			Y	
Houston/NO	15	Conoco Citgo Exxon	Y			Y	Coastal
St Louis	12.5	Citgo	Y			Y	
Chicago	12.5	Citgo	Y			Y	
Portland	7.5	76 Lubric	Y			Y	Benito
LA	7.5	76 Lubric	Y			Y	Mohawk

# Manufacturing and Distribution Options



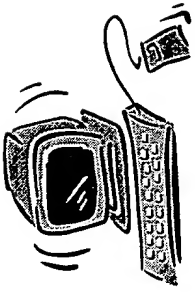
- FOB Delivered
- FOB Distribution Center
- Bulk Distribution by single or multi-source
- Determine the point when e-lubes.com owns the inventory (raw materials and finished products)



# Customer Drivers

- Significant number of customers desire low price / low frills lubricants.
  - Limited product / package style span
- Need to determine acceptance of a new brand or purchase known brand.
- Determine penetration of internet among target customers
- Marketing plan

# E Biz Structure



- Objectives:
  - Minimize expense and maximize functionality
- Strategy:
  - Accomplish objectives through a series of strategic business partnerships
- Tactics:
  - Hire Consultant with experience advising on similar start up efforts
    - Experienced with software, business alliances and implementation
  - Select off the shelf solutions wherever possible
  - Credit
    - e-credit.com or something similar
  - Distribution
    - must be technically sophisticated company



# Phase 1 Recommendation

- There is a business case to continue with the project
  - High level financials look promising
  - Going forward, a dedicated team needs to consider issues involving:
    - Manufacturing & Distribution
    - Customers
    - e-Business



# CPDEP ROADMAP WORKSHEET

PROJECT NAME:

DATE: 11/10/99	DATE: 2/1/2000	DATE: 3/20/2000	DATE: 4/1/2000
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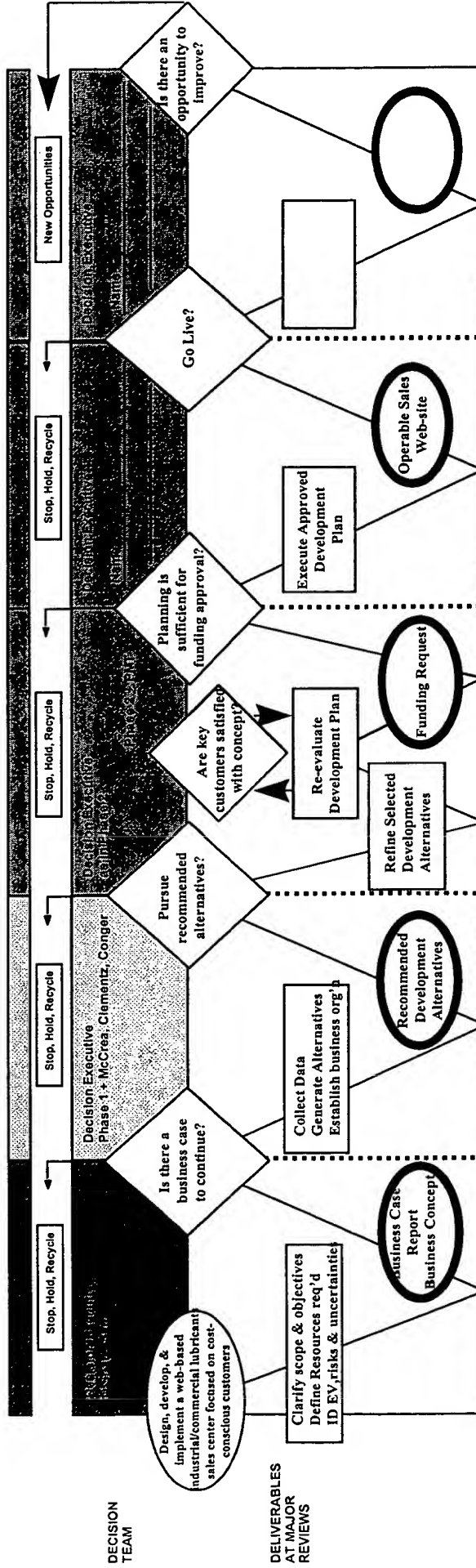
**PHASE 1**  
IDENTIFY & ASSESS  
OPPORTUNITY

**PHASE 2**  
GENERATE & SELECT  
ALTERNATIVE(S)

**PHASE 3**  
DEVELOP PREFERRED  
ALTERNATIVE(S)

**PHASE 4**  
EXECUTE

**PHASE 5**  
OPERATE AND EVALUATE



Team Leader Name	Team Name
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• List	• List	• List	• List
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**FOCUS ITEMS**  
• Specific tasks to get information needed to make the decision

**RESOURCES**  
• People  
• Money  
• Technology

**VALUE**  
• Production Profile  
• Strategic Reasons  
• Quantify Uncertainty

**METRICS**  
• Planned vs. Actual  
• Economic Measures





# Resource Needs for Phase 2

Title	% Time	Function	Candidate
Team Leader	100%	<ul style="list-style-type: none"><li>• Teamwork</li><li>• Strategic Outlook</li><li>• Basic Understanding of the Internet</li></ul>	
Operations Services	100%	<ul style="list-style-type: none"><li>• Blending</li><li>• Contract Admin</li><li>• Distribution</li></ul>	
IT Systems	100%	<ul style="list-style-type: none"><li>• Hardware</li><li>• Strategic Development</li><li>• Architecture</li></ul>	Consultant?
MSM	50%-100%	<ul style="list-style-type: none"><li>• Positioning</li><li>• Customer Attitude Surveys</li><li>• Marketing Plan</li></ul>	
E Business	50-100%	<ul style="list-style-type: none"><li>• Strategic E-Biz Model</li><li>• Web Vision</li></ul>	
ABM/ LBM	50%	<ul style="list-style-type: none"><li>• Line of sight to the Customer</li></ul>	
TP&S	50%	<ul style="list-style-type: none"><li>• Develop Logistics Alliances</li></ul>	
CPDEP	25%	<ul style="list-style-type: none"><li>• Facilitation</li></ul>	



## Resource Needs for Phase 2

• Price Sensitivity Survey	\$100M
• Customer Readiness	\$50M
• CPDEP Facilitation	\$25M
• Misc Research Needs	\$25M
• IT Consulting	\$100M
• Current Budgets to absorb: <ul style="list-style-type: none"><li>– Manpower, travel, meetings incidentals, other misc. expenses</li></ul>	



## Next Steps

- Launch Customer Survey
- Hire IT Systems Consultant.
- Begin alliance discussions
- Generate alternative business models
- Recommend preferred alternative, [REDACTED]
- A/R approval by [REDACTED]

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e-lubes.com

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## Business Plan Presentation to

David Spatz





## Mission

We provide “no frills” lubrication solutions to selected, price conscientious customers. We leverage innovative technology and the internet economy to achieve customer convenience and low-cost operations.

## Vision

We are a profitable internet business that dominates the low-price lubricant segment by providing convenient, low-cost lubrication solutions

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# Business Case for Chevron

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- Aligned with CPDS strategies and direction
  - C&I Focus
  - Leverages Internet Economy
- Growth Strategy for Chevron Global Lubricants
  - Going after low-end market, not a traditional Chevron target
  - Potential cannibalization mitigated by use of different brand other than “Chevron”
- Expected profitability and returns are healthy
  - Low-end market held by the “fragmented majority” (large market share)
  - Internet transactions will reduce costs, provide convenience
  - Owning “hard assets” not required -- surplus blend capacity in U.S.









# The Market Opportunity

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- Continued fragmentation of the lower tier lubricants market
  - In HDMO, 43% of the market is served by “other” suppliers with no one supplier having more than 3.7% of the market
  - Within the Industrial segment, 29% of the general industrial market is held by “other.”
  - For PCMO, opportunities lie in “other branded” and the private label business which make up about 13% of the total PCMO market.
- Blend capacity is at a surplus in the U.S.
  - Many plants, including Chevron’s are underutilized. Total U.S. blend plant utilization is estimated at 75%
  - Many small, and not so small (i.e., Sun), players are selling their assets
- Rapid trend towards B2B internet transactions
  - Internet technology is offering what the customer is looking for: ease of doing business through more automated transactions
  - Customers will be able to tap into more supplier options
  - The Internet can be used to “bundle” our offering with other services and products offered over the internet through business web alliances

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# The e-lubes.com Solution

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## Overview of Key Strategies

- Target customers who focus on price and require no or minimal service
- Make basic formulation, on-spec products that don't require special base oils or additives
- Conduct sales over the internet, eliminating the need for major "on the ground" sales force and the traditional Lubrication Marketer (unless they are the low-cost delivery agent)
- Leverage the transaction engine being developed by Silicon Valley Oil Company to achieve both low transaction costs and greater convenience for customers
- Form a nationwide network of blend plants through alliance arrangements
- Form alliances with logistics and delivery providers
- In all operations (manufacturing, logistics, supplies, consultants) we will leverage Chevron alliance relationships



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# The e-lubes.com Solution

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## **Why we believe we can do this:**

- We understand the Lubricants business -- e-lubes.com employees (10) have 200 years of combined experience in the industry, working in all functional areas, including sales, marketing, operations, logistics, planning.
- We expect to be the first to set up a nationwide manufacturing network of independent blenders, potentially working in alliance with Lubrizol
  - Other suppliers to the “lower tier” market tend to be more local or regional
  - We expect to be the first one to offer lubes in bulk via the internet
- We are working closely with SVOC in their design phase to ensure their backroom infrastructure meets our needs

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# The e-lubes.com Solution

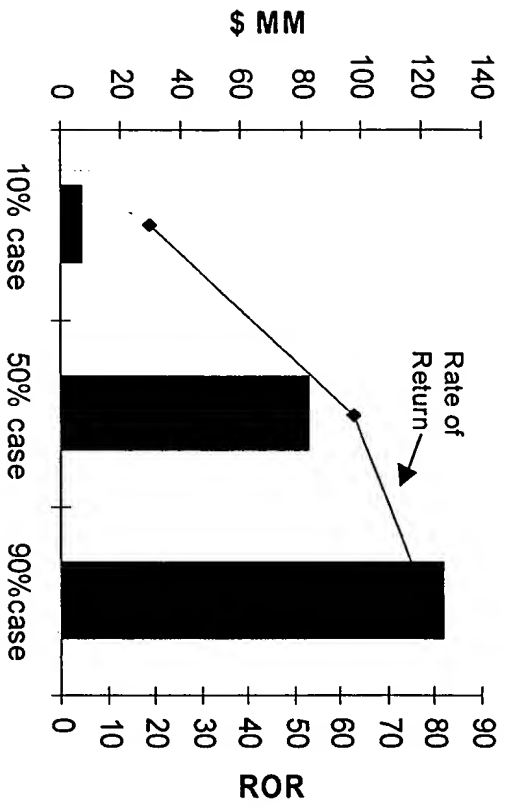
## Major risks/threats

## Our Views on Risks/threats

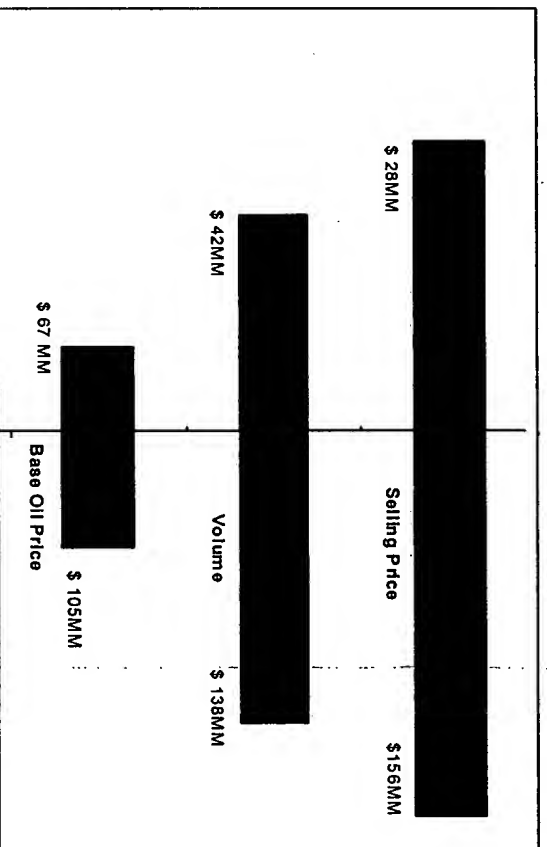
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|--|--|
| <ul style="list-style-type: none"><li>• A major oil company decides to play in the lower-tier with their established brand (Exxon?)</li></ul>  | <ul style="list-style-type: none"><li>• We believe this is inevitable and may already be happening. Chevron will have to "play" in this market to grow and maintain our market share</li></ul>   |
| <ul style="list-style-type: none"><li>• A traditional lower-tier major such as Sun or Citgo decides to take the same approach</li></ul>  | <ul style="list-style-type: none"><li>• Sun and Citgo are still "regional" players in the lubes business. If they use their own plant system, they will continue to be regional</li></ul>  |
| <ul style="list-style-type: none"><li>• Managing the network of independent blend plants may be more difficult (but not impossible) if we are not able to work out our alliance with Lubrizol</li></ul>  | <ul style="list-style-type: none"><li>• Even more important, our ability to link up with Lubrizol exclusively may be a competitive advantage</li></ul>   |
| <ul style="list-style-type: none"><li>• The SVOC transaction engine does not give us an advantage since it will be "sold" to our competition. We will have to look at other innovative ways to ensure customer convenience that differentiates us from competition</li></ul> | <ul style="list-style-type: none"><li>• We will evaluate the potential use of innovative technology that might change the ways in which customers procure and replenish lubricant inventories. Microchip technology is already being used in inventory management and oil analysis. We will look at doing alliances in these areas</li></ul> |



## 10-Year NPV

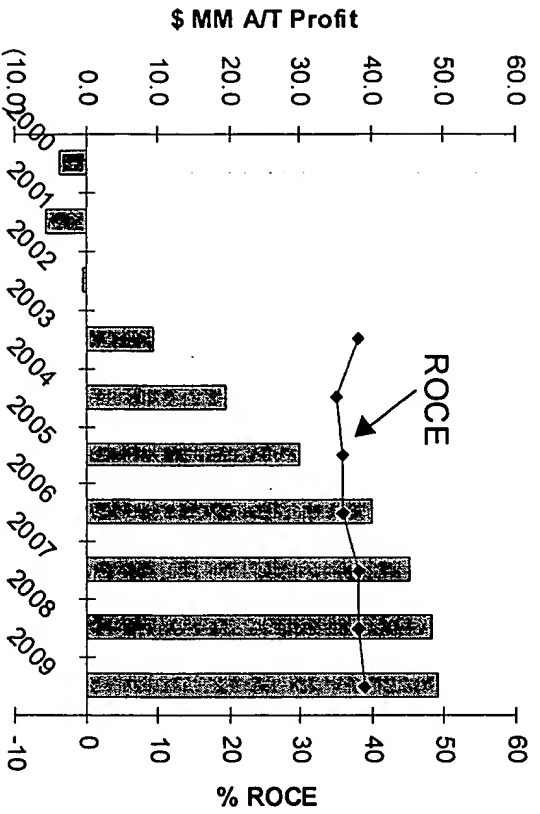


## Tornado Diagram -- NPV Sensitivity Analysis



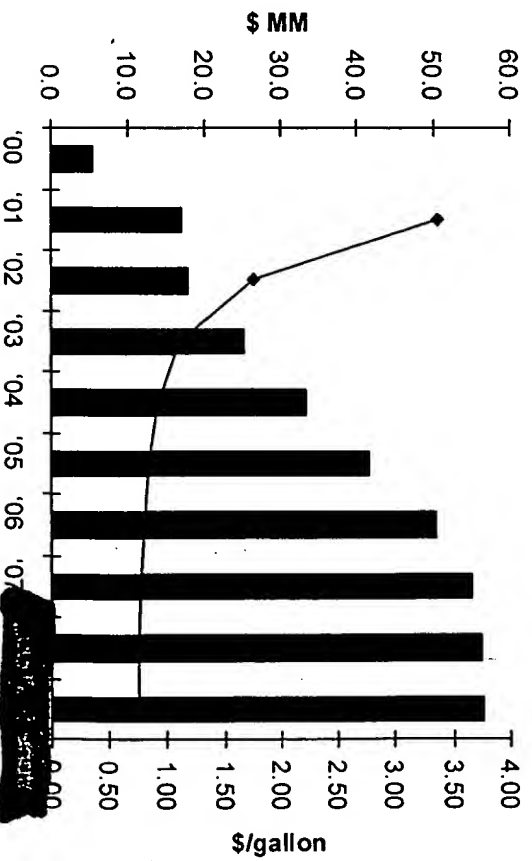
## A/T Profit & ROCE

50% case



## Operating Expense

\$83 MM  
50% case





# Financial Forecast

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- **10 Year NPV and ROR**
  - We expect to grow from 5MM gallons in 2001 to 75MM gallons in 2009. (75MM gallons is about 14% of the lower-tier market)
  - The 10 year NPV for the 50% case is \$83MM. The 90% NPV is \$127MM while the 10% case is \$7MM.
  - The ROR is 63%, 78% and 19% respectively.
  - Our capital requirements are very modest. We only require \$1.8MM over the 10 year planning period. (no assets and almost all IT investments made by SVOC)
- **NPV Sensitivity Analysis**
  - The selling price is the most sensitive variable in our NPV model followed by volume and base oil cost.
- **Profit**
  - We will lose money in 2001 & 2002 as we invest opex to build our brand
  - Year 2009 A/T profits are projected to be \$49MM
  - We are projecting a ROCE of around 40%
- **Operating Expense**
  - Per gallon opex will continue to decline over the 10 year period
  - We anticipate that our per gallon opex will be almost half of the base business.

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# Marketing & Sales Plan

10/1/11

# Marketing & Sales Plan

Service Offering	Description of Service	Government /Municipalities	Private Label	Utilities	Primarily Hydraulic Users/ Customers	Truckstops	Large fleets	Export Brokers	Jobbers	Quick Lubes	Small Fleets	HDMO/OEM Users
Oil Analysis, Monitoring, Tracking	contact information	1	N	1	1	1	1	N	N	3	3	1
Oil Analysis, Monitoring, Tracking (Enhanced)	ASP	2	N	2	2	2	2	N	N	3	2	2
Equipment	program	1	N	1	1	1	1	N	N	1	1	1
Tanks	program	1	N	1	1	1	1	N	N	1	1	1
Pump, reels, hoses	contact information	3	N	3	3	3	3	N	N	1	3	3
Seal	contact information	3	N	3	3	3	3	N	N	1	3	3
Bearing	contact information	3	N	3	3	3	3	N	N	1	3	3
Hydraulic	contact information	3	N	3	3	3	3	N	N	1	3	3
Gear	contact information	3	N	3	3	3	3	N	N	1	3	3
Compressors	contact information	3	N	3	3	3	3	N	N	1	3	3
Diesel Engine	contact information	3	N	3	3	3	3	N	N	1	3	3
Filtration Cuts	contact information	3	N	3	3	3	3	N	N	1	3	3
Filter Patch Test Kits	contact information	2	N	2	2	2	2	N	2	2	2	2
Auto Replenishment	ASP	3	N	3	3	3	3	N	3	3	3	3
Remote Inventory Management	ASP	1	N	1	1	1	1	N	1	1	1	1
Used drum pick-up	contact information	1	N	1	1	1	1	N	1	1	1	1
Used Oil Treatment/ disposal facilities	contact information	1	N	1	1	1	1	N	1	1	1	1
PC / Internet Access	program for major customers	1	N	1	1	1	1	N	1	1	1	1
Engine Coolants	supply / contact information	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
Lubrication Survey	contact information	2	N	2	2	2	2	N	2	2	2	2
Lube Scheduling & Routing	contact information	2	N	2	2	2	2	N	2	2	2	2
Industry Specialists ("Dr. Lube")	on-line recommendation guide, e-mail follow-up	1	N	1	1	1	1	N	1	1	1	1
Training - Lubrication fundamentals	contact information	3	N	3	3	3	3	N	3	3	3	3
Newsletter	industry info / new product info	3	N	3	3	3	3	N	3	3	3	3
Community (Enhanced)	moderated chat room	N	N	N	N	N	N	N	N	N	N	N
Community	postings / query of the month	2	N	2	2	2	2	N	2	3	2	2
Commissioned Agent	program of referrals in target segments	1	N	2	2	2	2	2	N	2	2	2
Lubricant Cross Reference Guide	on-line recommendation guide	1	N	1	1	1	1	N	1	1	1	1
Key:												
1 = needed for segment rollout												
2 = needed within 90 days of rollout												
3 = need by end 2001												
N = not offered												
★ Target Segments for roll-out												
Ready 10/1/00												
Ready 2/01/01												
Ready 12/31/01												



# Marketing & Sales Plan

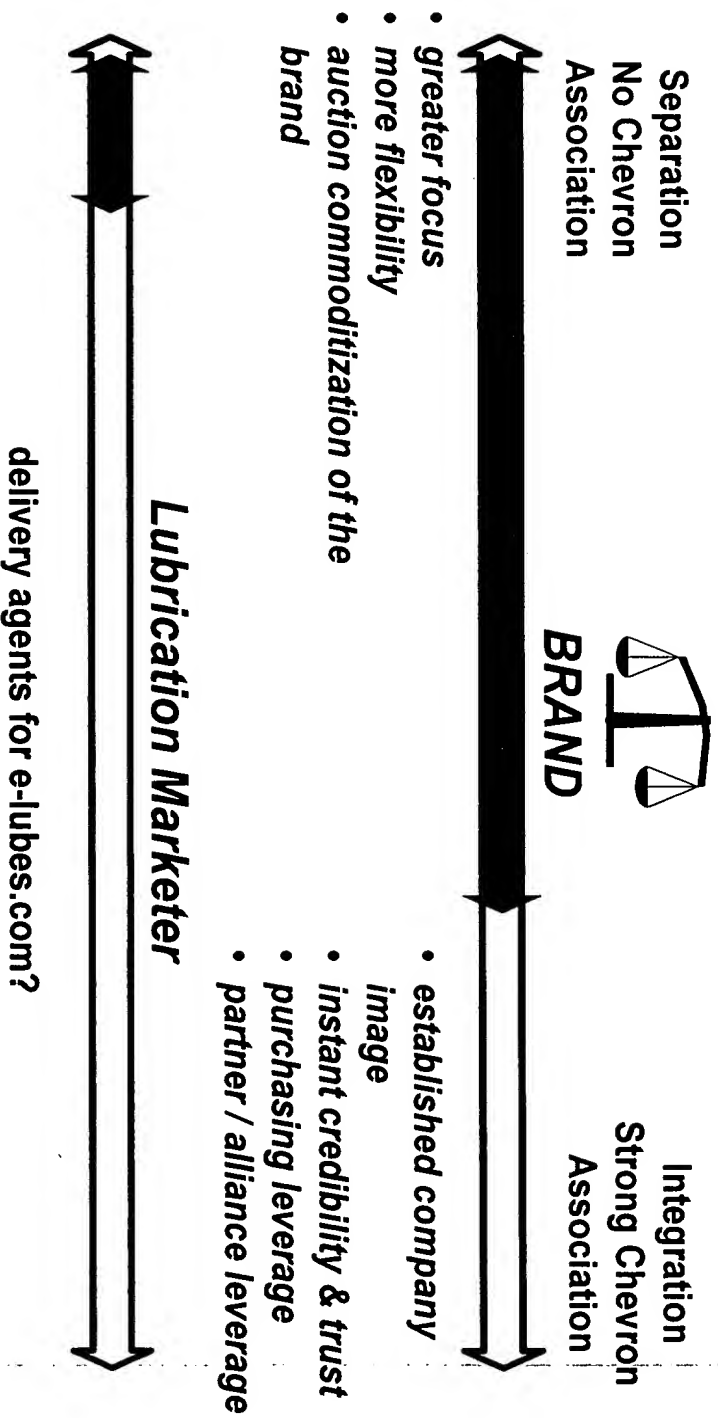
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- **Determined initial target segments**
  - utilizing data from multiple sources such as Kline, customer interviews, NAFL customer satisfaction survey, pricing survey, etc.
  - segments prioritized to those offering best source of price conscious customers
  - low service-needs segments that can be addressed by internet technology with few face to face demands
- **Developing Marketing & Sales strategies for each targeted segment**
  - basic product offering drafted
  - baseline services identified that leverage alliances & technology partners
- **Addwater engaged to help define Branding strategy, Naming convention and Identity development.**
  - Aggressive timetable to complete
  - Must be near completion prior to web design



# Leveraging the Chevron Brand

We want to leverage the Chevron brand name in the e-lubes.com business.  
What degree of integration makes sense?





- [REDACTED]





# Branding & Identity Timeline

ID	Task Name	Start Date	End Date	Duration	2000					
					Apr	May	Jun	Jul	Aug	Sep
1	Branding Strategy	4/15/2000	6/15/2000	41d						
2	Name Development	5/15/2000	6/30/2000	35d						
3	Identity Development	6/15/2000	7/31/2000	33d						
4	Web Design	7/1/2000	9/29/2000	65d						



# Brand Decision Process

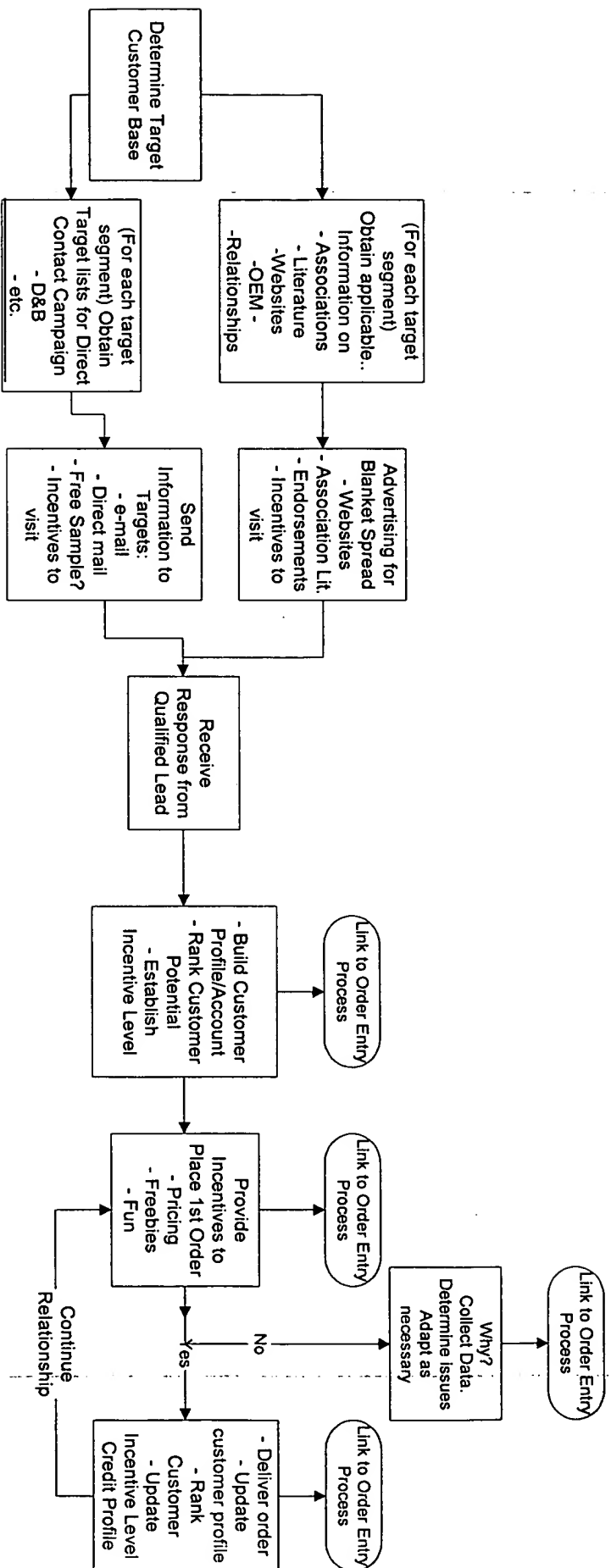
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- We've been parallel pathing development of both a new, unique identity and the Gulf brand for e-lubes.
- GOLP appears interested in relinquishing their rights to market lubricants in NE under Gulf brand although terms are yet to be decided.
- Reacquiring the Gulf brand would allow e-lubes to enter market with an established brand more quickly than developing a new brand. However, concerns continue:
  - Limits e-lubes.com to a US-only strategy
  - Transforming an existing brand to internet
  - Need to share Gulf brand with non-Chevron entities
- **Maintaining the critical path requires us to narrow our options to single branding track.**

*Recommend we continue developing unique brand identity and drop pursuit of Gulf.*



# e-lubes.com Sales Process



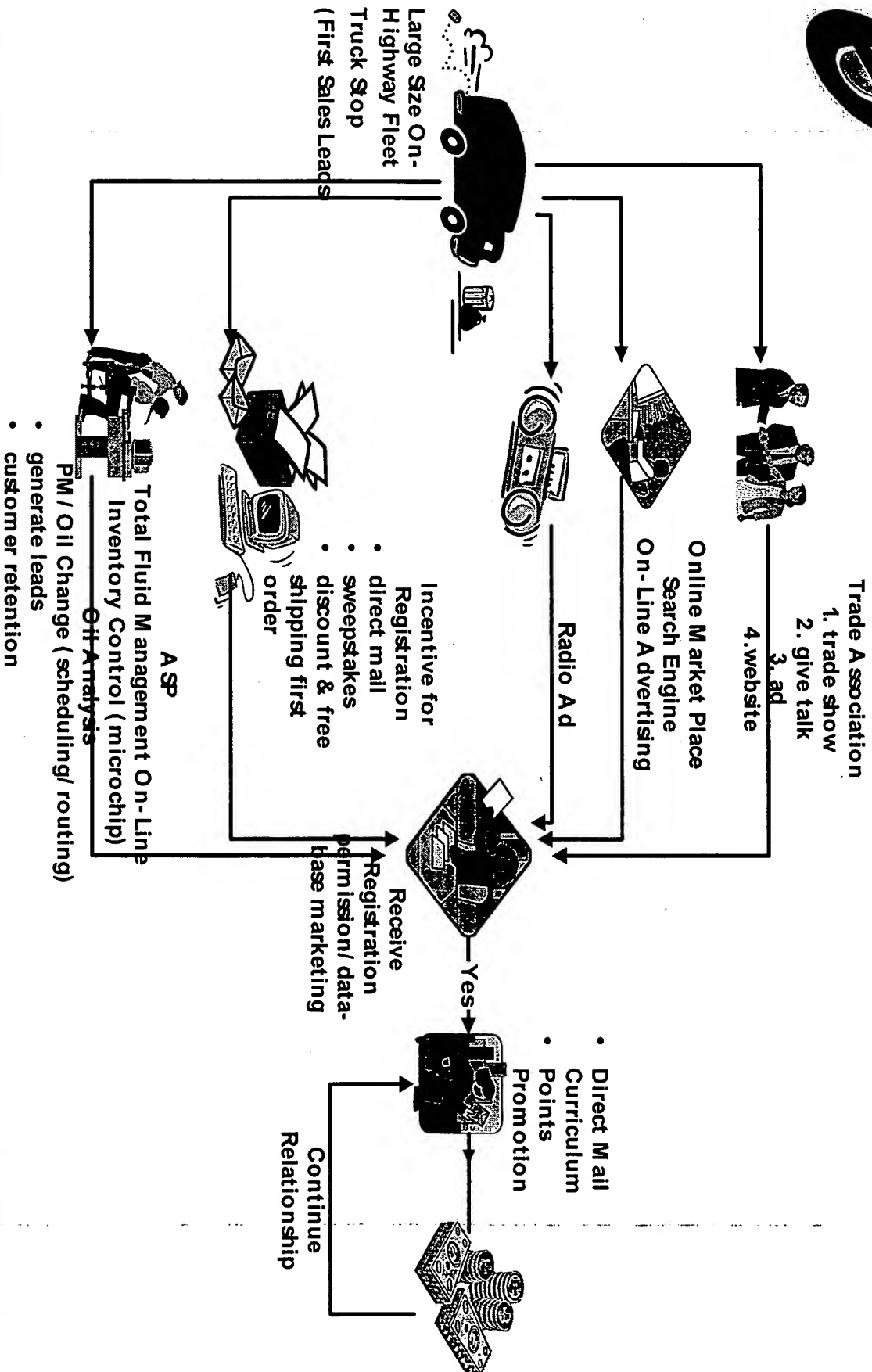


# e-lubes.com Sales Process

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**This sales process will allow us to reach far more customers, faster, and better than current “traditional” sales organizations.**

- No sales force on the ground. Contact is made electronically from lead qualification to closing. This will allow us to go after thousands of potential customers at the same time.
- A marketing database is being customized with SVOC to manage information on “Prospects”. We will understand our customers better and sooner than ever before.
- Incentives will be used to bring potential customers to visit us and try us out. This marketing technique will take e-lubes to major lubricants supplier status at a fraction of the cost of established methods.
- Being known as a Chevron USA Subsidiary will provide several advantages in the Sales Process:
  - Search engine priority when browsers are looking for suppliers
  - Instant recognition and trust from end users



Chevron Confidential

0008 is snub

## Example Sales Process



### for the Large Size On-Highway Fleets

- Conduct the Specific Marketing Strategy for the On-Highway Truck Fleets. Determine Best Way to Make Initial Contact.
- Generate Business Leads (by plant service area, product offering & volume)
- Target Entire Group Using Selective Advertising
  - Radio Ad
  - Trade Association (Trade Shows, Give Talks, Ads, Websites)
  - Join On-Line Marketplace (SVOC or Transplace.com)
  - Search Engine & On-Line Internet Advertising
- Contact Direct Leads from Database
  - Incentive for Volunteering (Registration)
    - Direct Mail (US Mail, e-Mail)
    - Sweepstakes
- Receive Response From Qualified Leads
- Permission/Data-Base Marketing
  - Direct Marketing Curriculum
  - Points Promotion
  - Discount or Free Shipping for the First Order
- Customer Profiling & Feedback Occurs Through Out the Process

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# Marketing & Sales Plan

## Next Steps

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- Develop detailed plans by segment
  - identify customer target lists
  - develop detailed metrics by segment
  - determine advertising & promotion effort by segment
  - define auction and portal strategy
  - development of service offering with alliance partners
  - validate offering with customers



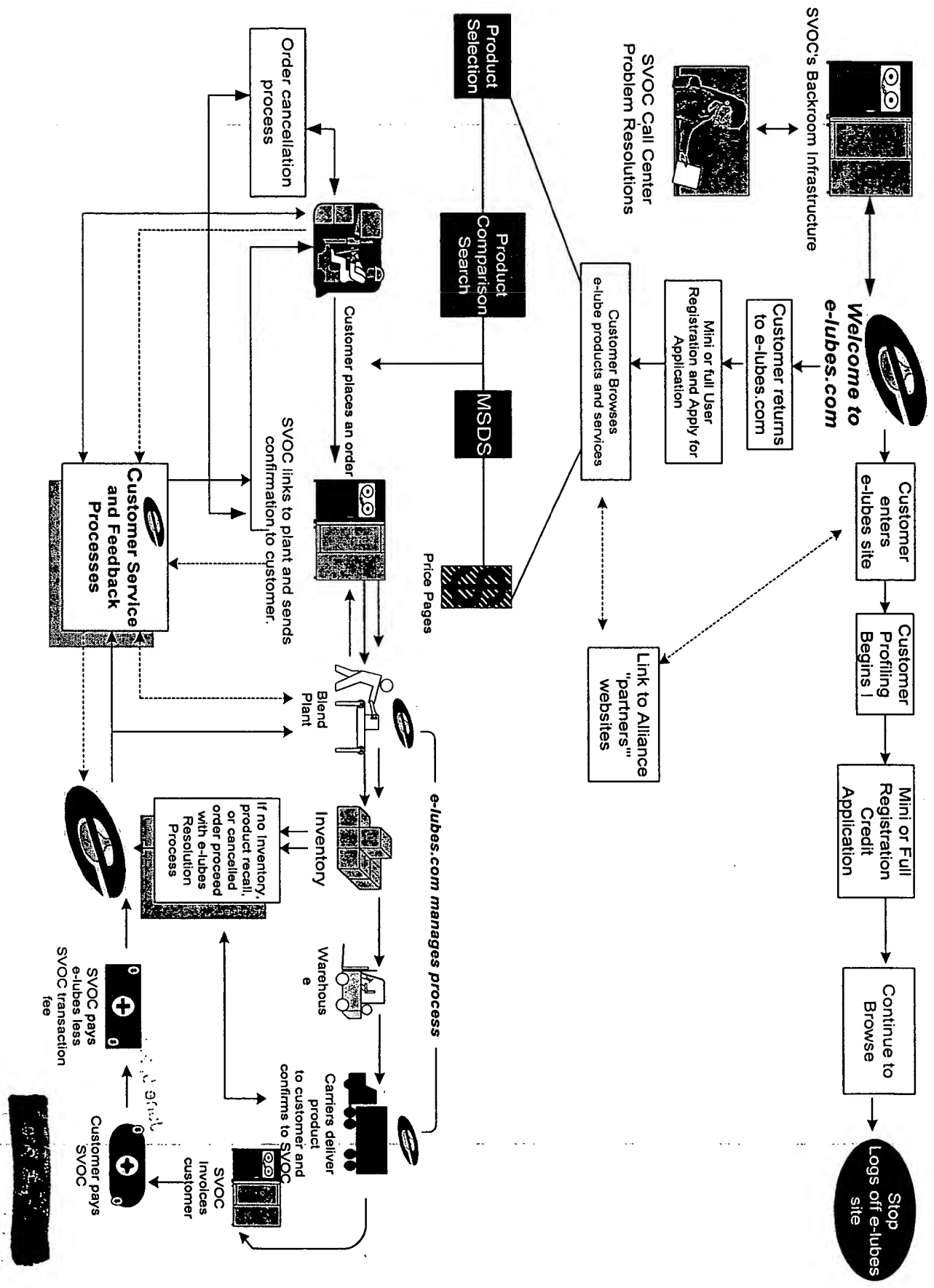
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# E-Commerce Plan







# E-commerce Plan

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The e-lubes website will be *fast, functional and efficient*

- **Fast**
  - The site combines the best features of the internet in order to provide ease of use, simplicity and speed.
- **Functional**
  - The site will contain relevant product, pricing, delivery information.
  - The site will be linked to key suppliers and alliance partners.
  - The site will provide product and computer technical support, and on-line customer services through state-of-the-art internet technology (audio/video conferencing as examples).
- **Efficient**
  - It will be a virtual selling agent that will navigate the customer through the registration, credit and ordering processes.



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# E-commerce Plan

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## **SVOC will provide all “back-room” functionality**

- Time and time again, customer feedback indicates that “ease of doing business” is a key factor in customer buying decisions and loyalty. SVOC will provide hosting and transactional functions through a web site program that embodies “ease of doing business.”
- The back-end infrastructure offers a series of connections to our manufacturing plants, transportation partners and alliances.
- The back-end will provide collaborative filtering and data-mining services to capture customer data, analyze buying patterns and trends of e-lubes browsers. We will understand our customers better and sooner than ever before.

***SVOC’s transaction engine will be critical to our ability to provide convenience to the customer***

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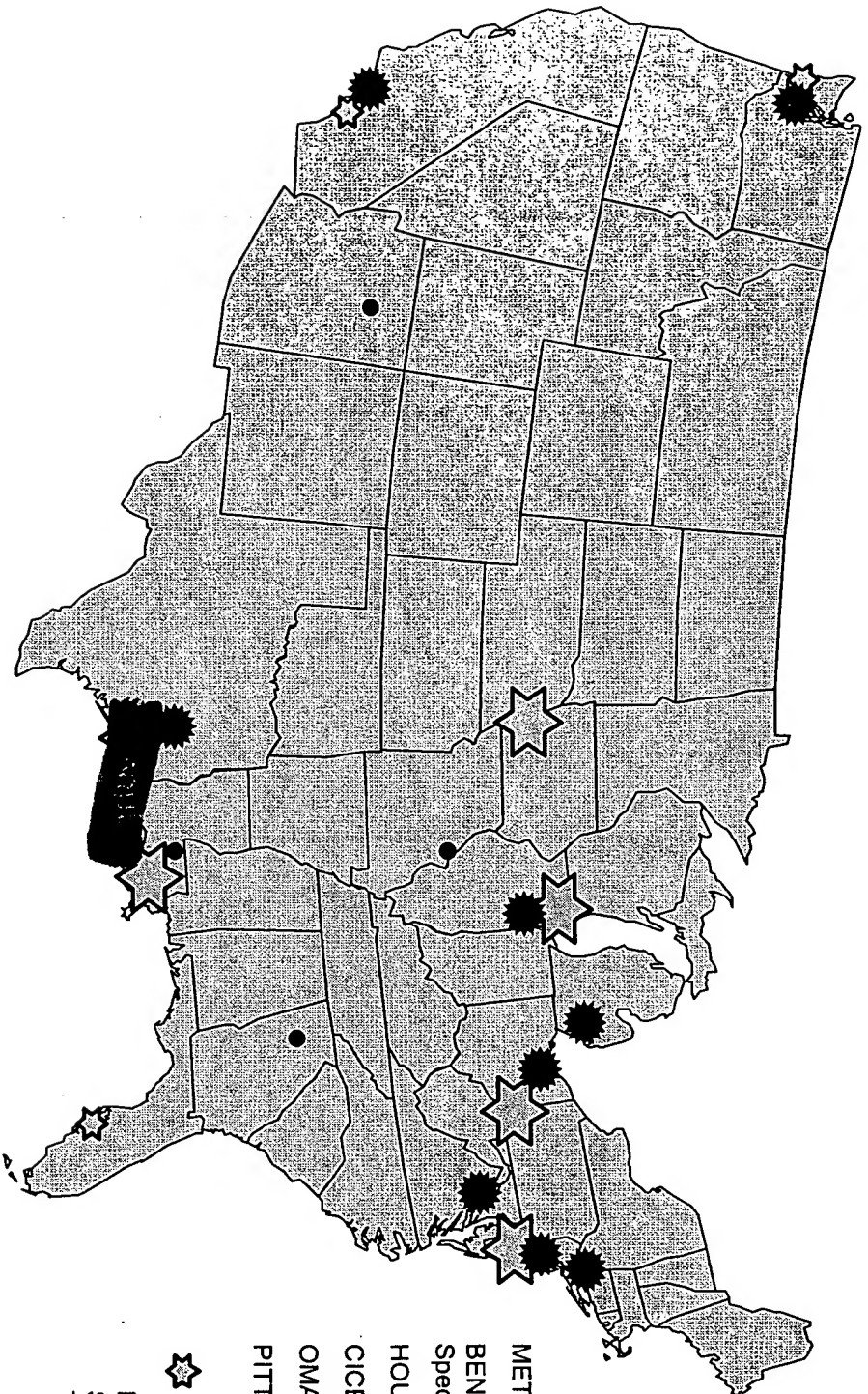


# Manufacturing & Logistics Plan





# Lubrizol Plants and Target Markets



## MAJOR PLANTS

METAIRIE, LA-Delta

BENSALEM, PA - Advanced Lubrication  
Specialties

HOUSTON, TX - Third Coast

CICERO, IL - Olympic

OMAHA, NE - Warren

PITTSBURG, PA - Allegheny Petroleum



## SECONDARY PLANTS

LOS ANGELES, CA - LSC/Uncol

SEATTLE, WA - Lilyblad

TAMPA, FL - Amalie



## PRIMARY MARKETS



## SECONDARY MARKETS

CONFIDENTIAL



# Manufacturing Plan

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- Take advantage of surplus blend capacity -- don't need to own plants or inventory
- Manufacturing costs will be minimized by use of standardized formulations, conventional base oils and basic additive packages
- Leverage Chevron's relationship with Lubrizol
  - Lubrizol is interested in expanding their traditional role beyond being an additives supplier
  - Lubrizol has established relationships with many independent blend plants across the U.S. Their locations fit well with our target geographic markets.
  - Lubrizol has offered to manage this network for us
  - Lubrizol will develop formulations and provide MSDS sheets
  - Lubrizol will guarantee product integrity
  - We expect a final proposal from Lubrizol by [REDACTED]
- We are currently evaluating the use of our own Chevron Plants
  - NAFL is preparing a similar proposal
- Our Manufacturing Alliance with Lubrizol or Chevron or both needs to be in place by July 15 to meet our target launch date [REDACTED]

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# Logistics Plan

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- **Leverage existing Chevron freight alliances**
  - Consolidated Freight (Less-Than-Truckload carrier) rates are discounted from the 1995 level
- **Marketers are not part of the logistics channel – we are the marketer**
- **Contract blend plants will permit use of standard tank trucks leading to lower freight costs**
  - NAFL loading racks require the use of bottom load-scully equipped trucks limiting the possible number of carriers that can be used
- **Use of Third Party Logistics Providers will give us many low cost options for distribution**
- **Web site will feature a rating feature based on a Zip to Zip matrix**
  - Customer will get their freight charges prior to final order confirmation

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[illegible]



## Summary of Key Discussion Issues

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- We need to get CPDS Management to accept the fact that we will lose money for the first few years as a start-up business. We need commitment that the Company will take the long-term view of this opportunity.
- Do you agree with our recommendation to leverage the Chevron brand by selectively using the phrase “a subsidiary of Chevron USA” in our marketing and sales efforts?
- Do you agree that we no longer need to pursue use of the Gulf Brand?
- We appreciate your support with SVOC. We need to continue this as SVOC becomes more “separated” from Chevron.
- For our manufacturing strategy, do you have a preference between Lubrizol or Chevron plants? And how involved do you want to be in the Lubrizol negotiations?
- Do you have any additional leadership direction for us at this point?

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# Appendix





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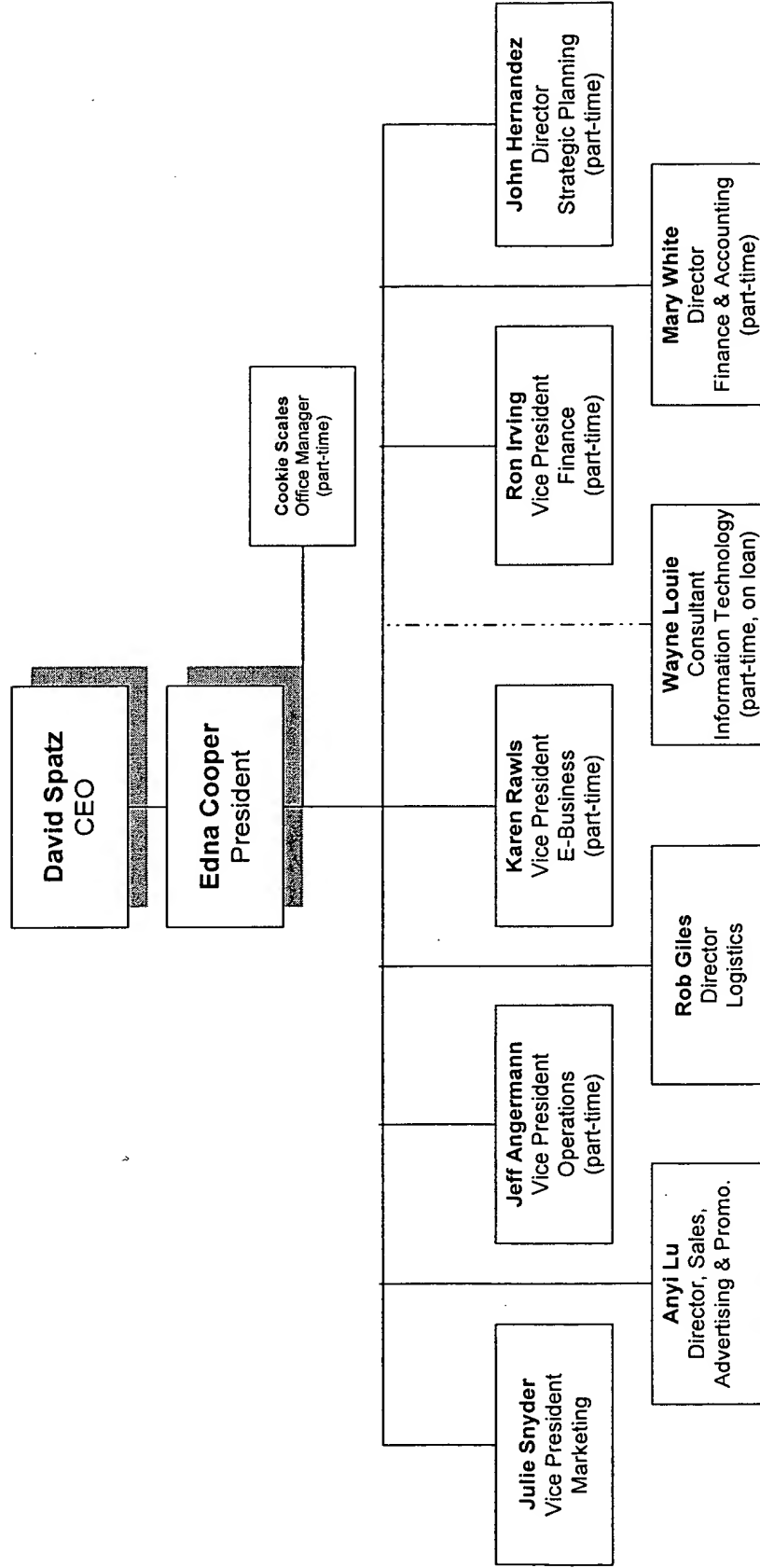
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# 2000 Organization Chart

**e-lubes.com**  
(Proposed LLC)



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# Strategy Matrix

To be added in a later version

